



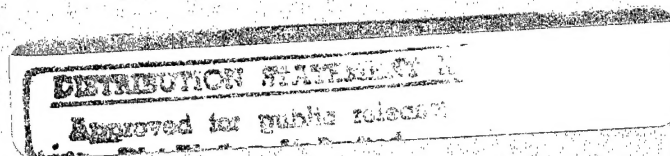
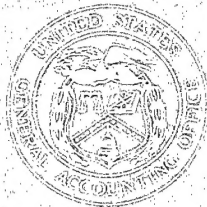
United States General Accounting Office

Report to the Honorable  
Tom Harkin, U.S. Senate

May 1997

# FINANCIAL MANAGEMENT

## Opportunities to Improve Experience and Training of Key Navy Comptrollers



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Accounting and Information  
Management Division

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May 5, 1997

The Honorable Tom Harkin  
United States Senate

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Dear Senator Harkin:

We are responding to your request for information concerning the background and experience of Navy military officers serving in key comptroller positions. The Chief Financial Officers (CFO) Act of 1990, as expanded by the Government Management Reform Act (GMRA) of 1994, and the Government Performance and Results Act of 1993 (GPRA), are among recent laws that mandate reforms on how agencies manage programs and report on the results of operations. Beginning with fiscal year 1996, the Navy and other federal departments and agencies are required to produce and have audited financial statements. These agencies' ability to produce auditable financial statements will be crucial to meeting the mandate for audited governmentwide financial statements for fiscal year 1997. Furthermore, accurate financial data are needed for measuring performance under GPRA. One key factor in agencies being able to achieve these objectives will be having trained and experienced financial management staff in key positions. In the Navy, comptrollers serve in positions of critical importance for ensuring that the Department achieves its financial management objectives as well as meets requirements of the recent reform acts.

We issued a report in October 1996<sup>1</sup> that cited several advantages of converting military financial management and other support positions to civilian status. These advantages include (1) dollar savings because civilians are less expensive than military members of equivalent rank and (2) the stability of personnel because military staff frequently rotate in and out of positions.

We testified in November 1995<sup>2</sup> on long-standing, serious financial management deficiencies in the Navy. We stated that the Navy's financial reports were of little value in assessing its operations or the execution of its stewardship responsibilities. Our work identified substantial misstatements in almost all of the Navy's major accounts and \$225 billion

<sup>1</sup>DOD Force Mix Issues: Converting Some Support Officer Positions to Civilian Status Could Save Money (GAO/NSIAD-97-15, October 23, 1996).

<sup>2</sup>Financial Management: Challenges Facing DOD in Meeting the Goals of the Chief Financial Officers Act (GAO/T-AIMD-96-1, November 14, 1995).

in errors in the Navy's fiscal year 1994 financial reports. These problems are caused by a complex set of process and system issues, and to some extent by the Navy's personnel practices. This report focuses on personnel practices and the education and experience of Navy officers serving in comptroller positions and options for strengthening these practices. The Navy's civilian comptrollers and other financial management personnel were not the focus of this report since they are being addressed in a broader study. Details of our scope and methodology are provided in appendix I.

## Background

The CFO Act requires that an agency Chief Financial Officer (CFO) oversee all financial management activities relating to the programs and operations of the agency. Some key CFO responsibilities are:

- developing and maintaining integrated accounting and financial management systems;
- directing, managing, and providing policy guidance and oversight of all agency financial management personnel, activities, and operations;
- approving and managing financial management system design and enhancement projects;
- developing budgets for financial management operations and improvements; and
- overseeing the recruitment, selection, and training of personnel to carry out agency financial management functions.

One of the most important positions under the CFO is the comptroller. The comptroller is the CFO's technical expert who oversees and manages the day-to-day operations. As such, the comptroller in any agency, including the military services, is a key financial manager.

As of October 1, 1996, the Navy had 100 military officers filling key comptroller jobs. These jobs have responsibilities involving a significant range of Navy resources, and are designated to be staffed by officers who range in rank from captain to lieutenant. For example, the comptroller of the Pacific Fleet, billeted for a Navy captain, is responsible for financial management and financial reporting of an annual budget of about \$5 billion, comparable in size to a Fortune 500 corporation; whereas a comptroller at a small installation, billeted for a lieutenant, manages an annual budget of about \$5 million.

The Navy's definition of a comptroller's job responsibilities is:

"Directs formulation, justification and administration of fiscal and budgetary management policies, plans and procedures. Determines budget and fiscal control policies. Coordinates and approves allocation of funds to programs and organizational units. Develops reports on status of appropriations. Provides required data on utilization of labor, material, and commercial services. Prescribes required methods for budget estimation, fiscal administration, and accounting. Exercises internal control over these systems through administrative and internal activities."

Table 1 shows the 100 comptroller jobs by rank.

**Table 1: Navy Officers Designated as Comptrollers as of October 1, 1996**

Rank	Number of officers	Typical positions or functions
Captain	22	-Fleet and force comptrollers -Naval shipyard comptrollers -Fiscal planning and budget management positions
Commander	44	-Comptroller billets at: Naval air stations Naval stations Other fleet support stations -Financial analysis, budgeting, cost analysis, and fiscal planning billets
Lieutenant Commander	24	-Comptroller billets at: Naval air stations Naval bases Naval training centers -Financial management, procedural, and budget analysis billets
Lieutenant	10	-Comptroller billets at: Overseas navy activities Naval training center Naval tactical center
<b>Total</b>	<b>100</b>	

In November 1995, the Joint Financial Management Improvement Program (JFMIP) published Framework for Core Competencies for Financial Management Personnel in the Federal Government,<sup>3</sup> designed to highlight the knowledge, skills, and abilities that accountants, budget analysts, and financial managers in the federal government should possess or develop to perform their functions effectively. JFMIP stated that federal financial managers need to be well equipped to contribute to financial management activities such as:

<sup>3</sup>Framework for Core Competencies for Financial Management Personnel in the Federal Government, A Joint Project of the Human Resources Committee of the Chief Financial Officers Council and the Joint Financial Management Improvement Program, November 1995.

- the preparation, analysis, and interpretation of consolidated financial statements;
- the formulation/execution of budgets under increasingly constrained resource caps; and
- the development and implementation of complex financial systems.

In defining core competencies needed to effectively perform as a senior accountant and financial manager, which includes positions such as military service comptrollers, JFMP emphasizes the need for a broad range of knowledge, skills, and abilities, including:

- accounting education with updated knowledge of accounting principles and federal accounting concepts;
- knowledge of agency financial statements, internal control environment, and agency business practices;
- strategic vision for implementation of GPRA and formulation of budgets;
- resource and program management skills, with knowledge of appropriation structure and agency management control systems; and
- human resource skills to effectively manage a workforce.

These core competencies suggest that individuals filling key comptroller positions in the federal government need to come to their jobs with a broad range of knowledge, skills, and abilities, including a strong foundation of experience and education in accounting. Accordingly, the Office of Personnel Management (OPM) has required that individuals in civilian accounting positions in the federal government, which are in the GS-510 series, meet a minimum qualification standard of 24 semester hours of college-level accounting courses plus an appropriate number of years of experience for the specific position. We recognize that there are always individuals who may lack the educational background desired but who have developed the technical competencies needed through actual experience. However, formal education and technical training are crucial factors in maintaining a professional workforce whether an individual is a warfare officer or a financial manager.

## Results in Brief

The Navy's personnel practices do not provide a career path for Navy officers to develop and maintain the core competencies needed by a comptroller. By contrast, the Air Force and the Army offer a career path in comptrollership. Because of the Navy's approach, many officers in key comptroller positions lack the financial management experience and the

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accounting education needed to meet the demands of today's financial management environment.

Slightly more than half of the Navy's key comptroller positions are filled by line officers whose primary occupation in the Navy is in surface warfare, submarines, aviation, or operational staff positions. These officers averaged 17.8 years of commissioned service in the Navy, but only 3.4 of those years had been spent in any financial management position, including their current comptroller job. About 60 percent of the line officers had obtained masters degrees in business-related majors, but due to Navy personnel practices, many did not utilize their financial management education until several years after graduation and generally served in a comptroller position for only one tour in their career. About 26 percent of the line officers serving as comptrollers had no college degree in any business-related field.

Supply corps officers, while more qualified from a formal education perspective than line officers for comptroller positions, generally lacked the depth of experience needed by a comptroller for the 1990s and beyond. Most of the supply officers held a college degree at the bachelors or masters level in accounting or business, but few had substantial experience in Navy fiscal administration assignments involving such roles as budget officer, accountant, or comptroller. They averaged 16.1 years of commissioned service in the Navy of which 3.4 years were in fiscal administration and 5.7 years were in logistics positions that involved some financial management experience. In a few cases, senior supply corps officers had as much as 10 years of experience in fiscal administration.

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## The Navy Has No Specific Career Path for Its Officers to Develop Core Competencies in Comptrollership

The financial management core competencies needed by individuals in comptroller positions require both formal education in accounting and business, and experience in financial management. The Navy has recognized the need to upgrade the knowledge and skills of its individuals in financial management positions. However, unlike the Air Force and the Army, the Navy has no specific career path in financial management aimed at developing needed core competencies for officers in key comptroller positions.

Our testimony to the Congress in November 1995 on Navy financial management stated that the Navy's financial reporting problems could be attributed in part to the long-standing failure to instill discipline in its financial operations and follow basic procedures. We noted that even

rudimentary controls were not routinely carried out, such as ensuring the conduct of periodic physical inventories, reconciling related accounts and records, documenting adjustments, and reviewing abnormal account balances. We also stated that the Navy displayed financial management deficiencies to an even greater extent than the other military services. The Assistant Secretary of the Navy, Financial Management and Comptroller (ASN/FM&C), made the following statement at the same hearing:

“Serious problems exist in many facets of DON [Department of Navy] financial management...and (we) have responsive improvement plans well under way... Recent changes in law and policy have made this a more demanding task and require staffs to acquire new knowledge and skills.”

We agree with the ASN/FM&C that financial management staff need to acquire new knowledge and skills. One of the more critical positions in a strong financial management function is the comptroller. However, we found that the Navy's present staffing practices for military officers fail to provide a career path for the critically important comptroller function. Under present practices, Navy officers filling fiscal administration jobs, including comptrollers, devote most of their careers to either operational command positions or logistics functions. About half of the key comptroller positions are staffed by line officers and half by officers in the supply corps. Line officers are generally individuals who are eligible to command at sea, and whose primary occupational specialty is surface warfare, aviation, or submarines. Line officers may also include individuals not eligible to command who serve in various operational staff positions. The supply corps officers are considered by the Navy to be the Navy's business managers and they serve in a wide variety of logistics and financial management positions.

By contrast, the Air Force and the Army offer a career path in comptrollership. Under the Air Force's career program in financial management and comptrollership, many Air Force officers devote their entire careers to financial management. The Army has designed its own unique approach to developing a cadre of financial management officers. All Army officers are required to spend at least the first 5 years of their careers in positions in either comptrollership or one of the operational branches of the Army, such as infantry, artillery, or armor. Army officers can elect to serve in comptrollership positions under one of two programs. In the single track program, an officer can stay exclusively in financial management as a specialty. In the dual track program, an officer can rotate

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between financial management jobs and command positions in the operational branch.

To illustrate, we judgmentally selected and reviewed the career experiences of a Navy captain, an Air Force colonel, and an Army colonel, each currently serving as the comptroller of a major command. Each of these comptrollers carries significant responsibility for the financial management and financial reporting of activities with annual budgets ranging from around \$1 to \$5 billion. The profiles show that the Air Force and Army comptrollers have significant career experiences that are important in developing core competencies needed by a military comptroller. However, the Navy officer's profile illustrates a focus on a career as a Navy combat operations officer, rather than on developing competencies needed as a military comptroller.

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#### Profile of a Navy Major Command Comptroller

He graduated from a major university with a degree in business. Devoted his first 7 years to junior command positions as a warfare officer, then went to graduate school and obtained a masters degree in business. In the following 14 years, he served in various assignments at sea and in training as a warfare officer, and spent almost 2 years as a plans and policies director for the Joint Chiefs of Staff. He was subsequently appointed commanding officer of a naval station and, 2 years later, became commanding officer of an amphibious group in the Pacific Fleet. After a 26-year career as a warfare officer, this captain was assigned as comptroller of a Navy fleet.

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#### Profile of an Air Force Major Command Comptroller

He graduated from a major university with a degree in finance. Spent the first 13 years primarily as a budget officer at two bases and an air field, at the U.S. Air Forces Europe, and at the Office of the Air Force Comptroller at the Pentagon. Then, he went to graduate school and obtained a masters degree in business administration. For the next 7 years, he served in various positions, such as, base comptroller and director of budget for a major command. Then he spent 2 years as an executive officer and division chief in the Office of Assistant Secretary of the Air Force for Financial Management and Comptroller (ASFM). Then, for approximately 1 year, he was Director of Accounting and Finance for a major command. Then, he returned to the Pentagon as Director of Budget and Appropriations, ASFM, for about 3 years. After a 27-year career in financial management, he was appointed comptroller of a major command.

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## Profile of an Army Major Command Comptroller

He graduated from a major university with a degree in finance. Spent the first 5 years as a tank platoon leader and a special services officer, then entered the single track comptrollership series and served as an installation comptroller (resource management officer) and a finance instructor over the next 7 years. During that 7-year period, he obtained a masters degree in business administration with an emphasis in comptrollership. Over the next 5 years, he served as military assistant to the Director of the Office of Management and Budget, White House. Then he was assigned for 4 years to a comptroller billet position at the Office of the Joint Chiefs of Staff, Pentagon. He then served as the Deputy Chief of Staff for Resource Management for an army installation. After a 24-year Army career, with 19 years in financial management, he became the comptroller of U.S. Army, Pacific.

We also looked at an Army colonel who was a comptroller of a \$4 billion activity. This individual was in the Army's dual track program. Out of a 25-year career this person spent only 6 years in financial management positions. While most Army officers are in the dual track program, we have not reviewed the Army's comptroller billets to determine if this Army colonel comptroller is typical. Also, the single track officer may not be representative of Army comptrollers either, but he demonstrates the type of experience one would expect of a comptroller of a major activity.

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## Navy Officers in Comptroller Positions Often Lack Financial Management Experience and Accounting Education

The Navy has staffed its military comptroller positions with individuals who, on average, lack the depth of financial management experience and the accounting education needed for the financial management environment of the 1990s. Line officers, who fill most of the senior-level comptroller positions at the captain and commander ranks, have spent almost their entire careers in command positions such as surface warfare officers, aviators, or submariners. Supply corps officers fill the remaining comptroller positions, and, although they have stronger business-related educational backgrounds and more exposure to financial management activities, most of their careers have been devoted to Navy logistics.

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## Profile of Navy Line Officers in Comptroller Positions

Of the 100 key comptroller positions filled by Navy officers in October 1996, 53 were occupied by line officers whose primary career fields were in Navy operational commands, including surface weapons officers, aviators, and submariners. For these officers, a comptroller position offers a temporary shore duty between commands at sea. While these line officers are typically highly educated individuals and have

considerable operational experience, they lack both the financial management experience and accounting education needed by a comptroller. These 53 officers present the following profile:

- They filled mostly senior-level comptroller positions—14 were captains and 25 were commanders.
- They averaged 17.8 years of commissioned service in the Navy, but only 3.4 years in financial management jobs, including their tenure in their current comptroller position.
- Only 19 of the 53 (36 percent) majored in accounting or other business-related curriculum as undergraduate students.
- Thirty-two of the 53 officers (60 percent) obtained masters degrees in a business-related major, but 14 of the remaining 21 officers (26 percent) lacked either undergraduate or graduate education in any business-related field.
- Our review of a sample of line officers' college transcripts reveals that they averaged about 12 semester hours of accounting courses, mostly acquired in graduate studies in financial management.

Appendix II summarizes the education and experience of the 53 line officers filling comptroller positions in October 1996.

Of the 53 line officers in comptroller positions, 43 earned masters degrees, 22 from the Naval Postgraduate School (NPS) in Monterey, California. Based on Navy data, officers selected for NPS spend 18 months in the program at a cost of about \$150,000, including salary and benefits.

Of the 43 officers with masters degrees, 32 earned their masters in business from either NPS or other participating universities. The NPS degree program in financial management includes approximately 11 semester hours of accounting and has the objective of preparing Navy officers for assignments to positions in budgeting, accounting, business and financial management, and internal control and auditing. However, after graduating with their masters degrees in business, many line officers do not rotate directly to a financial management position where they could immediately apply their education. Navy data on officers serving in comptroller positions show that line officers selected for financial management positions spend only a small percentage of their career in finance. Navy data on a broader universe of all officers who obtain a masters degree in financial management at NPS show that 49 percent of line officers do not use their training for at least 6 years after graduation and 40 percent never use their education in a Navy financial management job. Navy staffing

practices are inadequate to ensure that the investment made in postgraduate financial management training is effectively utilized in financial management positions.

## Profile of Navy Supply Officers in Comptroller Positions

The remaining 47 of the 100 Navy officers filling comptroller positions on October 1, 1996, were supply corps officers. The Navy defines the mission of the supply corps as providing expertise to the Navy and other Department of Defense (DOD) operations in logistics, acquisition, and financial management, and refers to the cadre of supply officers as the Navy's business managers. While these officers have careers with more exposure to financial management activities than line officers, many supply officers still lack the depth of experience in fiscal administration and the accounting education needed for comptrollership in today's complex financial management environment. The 47 supply officers present the following profile.

- They filled both senior- and mid-level comptroller positions—27 were captains or commanders and 20 were lieutenant commanders or lieutenants.
- They averaged 16.1 years of commissioned service in the Navy of which 3.4 years were in fiscal-related positions and 5.7 years were in logistics positions that involved some financial management experience.
- Twenty of the 47 (43 percent) majored in accounting or some other business-related field in undergraduate school.
- Thirty-one of the 47 officers (66 percent) obtained masters degrees in business-related fields. Our analysis of transcripts for a sample of these officers showed that they averaged about 14 semester hours of accounting.

Appendix III summarizes the education and experience of the 47 supply corps officers filling comptroller positions in October 1996.

An officer assigned to the supply corps usually will spend his or her career in one of seven occupational groups:

1. fiscal,
2. subsistence, open mess, and bachelors quarters management,
3. transportation,
4. material distribution,
5. procurement,
6. inventory control, or
7. general.

Of the seven occupational groups, six are predominantly logistics-oriented, while fiscal assignments can provide Navy officers with experience for developing core competencies needed by comptrollers. The following five job series are included under the fiscal grouping.

Navy job series	Position title
1005	Accounting Officer
1015	Internal Review Officer
1025	Budget Officer
1045	Disbursing Officer
1050	Comptroller

Our review of the career histories of the 47 Navy supply officers in comptroller jobs showed that most of these officers devoted 59 percent of their careers to the six job categories in the logistics field, rather than to fiscal administration assignments. The most common assignment for these officers was as a general supply officer (job series 1918), with the following primary duties, according to the Navy manual:

"Directs supply department activities. Applies supply policies to operation of department. Determines demand in accordance with mission and standard allowance lists. Approves requisitions, balance sheets and summaries. Directs receiving, storage, inventory control, issue and salvage of material. Oversees procurement and sale of goods and services. Administers operation of general mess, including procurement, storage, issue, and inventory of provisions. Conducts disbursing activities in connection with property accountability and transfer, payroll, and personal accounts."

The duties of a general supply officer provide financial management experience to supply corps officers, as indicated by the above description of duties. Other supply officer assignments in logistics specialties also have financial management components, such as budget management. While the logistic positions provide officers with some financial management experience, it is the fiscal administration-type assignment, i.e., budget officer, accountant, or comptroller that best addresses the core competencies needed by key financial managers.

Although the Navy does not have a career path in financial management, a few supply corps officers have a career profile that was heavily focused on fiscal assignments. For example, one captain now serving as the comptroller of a major Navy command has 25 years in the Navy, and he has spent 10 of the past 13 years in comptroller positions. However, we

believe most of the supply corps officers in comptroller positions would fall short of meeting JFMIP's core competencies because their career paths have not been concentrated in fiscal administration. As stated earlier in this report, recent reform initiatives aimed at addressing long-standing and severe federal financial management problems, including the CFO Act and GPRA, have placed demands on comptrollers in the 1990s that are substantially greater than in the past. To meet these demands, Navy personnel practices for key comptroller positions need improvement to ensure the development of the core competencies and experience necessary to meet today's considerable challenges.

## Comptroller Positions Are Candidates for Conversion to Civilian Status

Conversion of military financial management and other support positions to civilian status was the topic of our October 1996 report.<sup>4</sup> We cited two advantages of conversion to civilian status: (1) dollar savings because civilians are less expensive than military members of equivalent rank, and (2) stability of personnel because of frequent rotation of military staff that rotate in and out of positions.

Our report suggested that DOD could save as much as \$95 million annually by converting positions occupied by military officers to civilian status. In that report, we identified about 9,500 administrative and support positions that civilians may be able to fill at lower cost and with greater productivity due to the civilians' much less frequent rotations. Examples of career fields that contain positions that might be converted are information and financial management, which would include comptroller positions.

DOD guidance on civilian versus military staffing of positions was written in 1954. It requires that civilians be used to staff positions wherever possible. However, the guidance also provides a high degree of flexibility to DOD by allowing positions to be designated as military essential, and therefore to be filled by an active military officer for any of the following reasons.

- Required training is only available in the military.
- The position is needed to maintain combat readiness.
- The position requires a general military background for successful execution.
- The law requires that the position be staffed by military personnel.
- The position must be military in order to maintain good order and discipline or exercise authority under the Uniform Code of Military Justice.

<sup>4</sup>GAO/NSIAD-97-15, October 23, 1996.

- The position is needed to ensure adequate opportunities to rotate personnel from overseas locations or sea duty to tours of duty in the continental United States.
- The position must be military for security reasons in which the incumbent may be involved in combat, expected to use deadly force, or expected to exhibit an unquestioned response to orders.
- The position requires unusual duty hours that are not normally compatible with civilian employment.

Since these guidelines were issued over 40 years ago, the government's financial management environment and personnel needs have changed substantially, particularly with respect to the need for specialized positions such as comptroller. Increased demands and challenges faced by government financial managers resulting from financial management reform legislation of the 1990s warrants a closer look at staffing these key positions.

To identify candidates for conversion in our October 1996 report, we developed criteria based on the above DOD directive and service implementing guidance. The criteria consisted of four questions that reflect the substance of the DOD criteria. Answering "no" to all four questions would be one approach to identifying positions that could be converted to civilian status. The questions were as follows.

- (1) Is the primary skill or knowledge required in the position uniquely available in the military?
- (2) Does the position have a mission to deploy to a theater of operations in wartime or during a contingency?
- (3) Does any law require that the position be staffed by a military person?
- (4) Is the position needed to support the normal rotation of service members deployed overseas or afloat to assignments in the continental United States?

DOD's response to our October 1996 report acknowledged the potential savings and other advantages of military-to-civilian conversions. DOD also noted impediments to placing civilians in certain positions, such as the lack of consistent funding for the hiring of civilian replacements, the ongoing civilian personnel draw-down, and military strength floors. DOD, in its response to the report's recommendation, said the issue of

military-to-civilian conversion is an important component of DOD manpower requirements determination and the issue is currently being discussed in planning for the Quadrennial Defense Review (QDR).

We recognize the difficulties DOD and the Navy face while operating in fiscally constrained times. However, DOD and the Navy should benefit significantly in terms of more efficient and effective operations if a strong comptroller function is established and maintained. A well-educated and experienced cadre of comptrollers, whether military or civilian, is critical to managing a large organization such as the Navy.

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## Conclusion

While DOD anticipates that the QDR will concentrate on identifying methods to overcome the impediments to large-scale military-to-civilian conversions for all the military services, steps need to be taken to address the Navy's lack of a career path for military comptrollers. As the Air Force and the Army have recognized, financial management and comptrollership is a professional career track that requires highly trained and skilled individuals. In the military combat operations environment one would not expect an officer with only 3 to 4 years experience to command a ship, squadron, or fleet. Similarly, one would not expect a comptrollership, responsible for billions of dollars, to be staffed temporarily by a less than fully experienced financial manager. This would be true whether the comptroller was a military officer or a civilian. However, that in effect is the unintended consequence of the Navy's present personnel practices with respect to assigning its military officers to comptroller positions. Therefore, if the Navy is to be successful in meeting the objectives of the various governmentwide financial management reform initiatives, it must have a highly skilled and experienced financial management staff in place to help guide and manage its efforts.

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## Recommendations

We recommend that the Secretary of Defense ensure that the following steps are taken by the Navy.

- Identify which key military comptroller positions can be converted to civilian status in order to gain greater continuity, technical competency, and costs savings.
- For those comptroller positions identified for conversion to civilian status, ensure that those positions are filled by individuals who possess both the proper education and experience needed to meet the JFMP core competencies.

- For those comptroller positions that should remain as military billets, establish a career path in financial management that ensures that military officers are prepared, both in terms of education and experience, for comptrollership responsibilities.

## Agency Comments and Our Evaluation

In commenting on a draft of this report, DOD generally agreed with the report findings. These comments are summarized below and reprinted in appendix IV. Specifically, DOD agreed that there may be key military comptroller positions that can be converted to civilian status. The Department also recognized the need to fill such positions with individuals who possess the proper education and experience, and supported the report's message that the Navy needs to strengthen its existing training program for financial management subspecialists.

However, DOD did not concur with our third recommendation on establishing a specific career path in financial management. This recommendation is aimed at ensuring that Navy military officers develop the technical competencies needed to be effective comptrollers through training and experience. The Navy does not believe a formal career program in comptrollership is feasible because of the small number of officers in this field combined with a need for extensive experience in fleet operations. While fleet experience may help to develop a better understanding of operational issues, a comptrollership function demands a high level of financial management expertise for an individual to be effective in today's complex environment. Further, the relative number of military comptrollers is not the issue, rather the issue is that these officers should have the technical competencies necessary to perform in these key Navy comptroller positions.

Although DOD did not concur with our recommendation, the Department acknowledged that some naval officers may have been assigned as comptrollers without a strong background in some aspects of financial management. To address this problem, DOD plans to take steps to increase the number of tours or months of experience required to become a financial management subspecialist and upgrade all comptroller billets to proven subspecialist billets. These steps should increase the amount of experience that Navy officers bring to the comptroller positions. However, the Navy needs to ensure that its comptroller positions are filled with individuals who bring a strong background of financial management experience to those positions. We are concerned that simply increasing the number of months necessary to qualify as a subspecialist or adding a

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tour of duty, though a positive step, will not fully achieve the desired goal. We continue to believe that a career path, similar to the Air Force or Army, is the best approach.

We are also pleased that the Navy plans to enhance its training for military officers who will serve in comptroller positions. A critical aspect of such training is that officers completing the course should be assigned to a comptroller position within a relatively short period of time so that the benefits of the training are not lost before being put into application for the benefit of the Navy. As noted in this report, utilization of financial management training by Navy officers has been a problem in the past because many years elapsed between completion of training and an assignment to a key financial management position.

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As agreed with your office, unless you publicly announce the contents of this report earlier, we will not distribute it until 30 days from the date of this letter. At that time, we will send copies of this report to the Chairmen and Ranking Minority Members of the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight and other interested committees. We will also send copies to the Secretaries of Defense and the Navy and the Director of the Office of Management and Budget. Copies will be made available to others upon request.

If you have any questions about this report, please contact me at (202) 512-9095. The major contributors to this report are listed in appendix V.

Sincerely yours,



Lisa G. Jacobson  
Director, Defense Audits



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**Table**

**Table 1: Navy Officers Designated as Comptrollers as of  
October 1, 1996**

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**Abbreviations**

ASFM	Assistant Secretary of the Air Force for Financial Management
ASN/FM&C	Assistant Secretary of the Navy, Financial Management and Comptroller
CFO	Chief Financial Officer
DOD	Department of Defense
GMRA	Government Management and Reform Act
GPRA	Government Performance and Results Act
JFMIP	Joint Financial Management Improvement Program
NPS	Naval Postgraduate School
OPM	Office of Personnel Management
QDR	Quadrennial Defense Review

# Scope and Methodology

We identified the Navy's military comptroller billets by interviewing Bureau of Naval Personnel officials and reviewing Navy staffing policy and procedures manuals. We obtained a database from the Bureau of Naval Personnel on Navy officers who were in financial management positions. Using this database, we identified the universe of military officers in comptroller positions as of October 1, 1996. We also used this database to document the formal education and experience of these officers. We supplemented the database information by reviewing microfiche records which contained detailed career histories and college transcripts for each officer. We interviewed officials at the Bureau of Naval Personnel and met with selected Navy comptrollers to obtain a detailed understanding of Navy staffing practices and Navy recordkeeping systems.

We identified 191 military comptroller (code 1050) billets as of October 1, 1996. Further analysis showed that 91 of the 191 comptrollers were in either the Medical Service Corps or Civil Engineering Corps. We excluded the 89 medical corps officers from our analysis because (1) medical comptrollers perform specialized duties that are closely related to the field of health care administration and (2) funding in this area represented only about 1 percent of the Navy's budget. We also excluded the two civil corps officers to maintain a clear distinction between the line officers and supply officers who were the focus of our review.

Based on the data provided by the Navy, we profiled the career experiences, in terms of education and assignment history, of the remaining 100 Navy officers filling comptroller positions. We segregated these officers for purposes of analysis into line officers and supply officers to assess if there were any differences in educational background and financial management experiences due to a career track. Further, to illustrate the possible disparities in the financial management experiences of comptrollers representing the three military services, we judgmentally selected for analysis senior officers representing the Navy, Air Force, and Army. These individuals were chosen based solely on whether the officer was the comptroller of a major command—in the \$1 to \$5 billion dollar budget range. However, this assignment was principally focused on the analysis of the qualifications of Navy officers in key comptroller positions. As such, we did not review the profiles of all Air Force and Army officers in key comptroller positions.

This review excluded any analysis of civilians in comptroller positions because we have a broader review underway that will analyze the education and experience of key financial managers throughout DOD.

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**Appendix I**  
**Scope and Methodology**

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We conducted our work from July 1996 to March 1997 in accordance with generally accepted government auditing standards. We requested written comments on a draft of this report from the Secretary of Defense. DOD provided us with written comments. These comments are discussed in the "Agency Comments and our Evaluation" section and are reprinted in appendix IV.

# Profile of Education and Experience of Navy Line Officers Occupying Comptroller Positions as of October 1, 1996

Education and experience of Navy Line Officers	Number of officers	Percent
Number currently in comptroller billets	53	100.0
Number with bachelors degrees in accounting or business-related majors	19	35.8
Number with masters degrees	43	81.1
Number with masters degrees in accounting or business-related majors	32	60.4
Number with no degrees in accounting or business-related majors	14	26.4
Average semester hours in accounting courses	11.9	
Average number of years of Navy experience	17.8	100.0
Average number of years of Navy experience in fiscal administration	1.9	10.7
Average number of years of Navy experience in other financial management positions	1.5	8.4

# Profile of Education and Experience of Navy Supply Officers Occupying Comptroller Positions as of October 1, 1996

Education and experience of Navy Supply Officers	Number of officers	Percent
Number of supply officers in comptroller positions	47	100.0
Number with bachelors degrees in accounting or business-related majors	20	42.6
Number with masters degrees	33	70.2
Number with masters degrees in accounting or business-related majors	31	66.0
Number with no degree in accounting or business-related majors	8	17.0
Average semester hours of accounting courses	14.2	
Average number of years of Navy experience	16.1	100.0
Average number of years of Navy experience in fiscal administration positions	3.4	21.1
Average number of years of Navy experience in logistic positions with some financial management exposure	5.7	35.4

# Comments From the Department of Defense

Note: GAO's comment supplementing those in the report text appears at the end of this appendix.



THE ASSISTANT SECRETARY OF THE NAVY  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
1000 NAVY PENTAGON  
WASHINGTON, D.C. 20350-1000

18 APR 1997

Mr. Gene Dodaro  
Assistant Comptroller General  
Accounting and Information Management Division  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Dodaro:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "FINANCIAL MANAGEMENT: Opportunities to Improve Experience and Training of Key Military Comptrollers" dated March 13, 1997 (GAO Code 918865/OSD Case 1313).

The Department agrees with the GAO report that there may be key military comptroller positions that can be converted to civilian status and those billets converted to civilian status should be filled by individuals who possess the proper education and experience.

The Department also supports the need to strengthen the Navy's existing training program for Financial Management subspecialists. A review of options for increasing Navy military comptroller education and experience will be conducted. The Department, however, does not concur with the recommendation to establish a career path for Navy Officers in financial management. The Navy selects military comptrollers based upon their ability to make difficult investment decisions in order to obtain the maximum warfighting capability from available funds. This requires extensive experience in fleet operations, an important attribute which should have received greater emphasis during this audit by GAO.

The detailed comments on report recommendations are enclosed. The Department appreciates the opportunity to comment on the draft report.

Sincerely,

A handwritten signature in cursive script that reads "Deborah P. Christie".

Deborah P. Christie  
Assistant Secretary of the Navy  
(Financial Management and Comptroller)

Enclosure

See comment 1.

GAO DRAFT REPORT - DATED MARCH 13, 1997  
OSD CASE 1313, GAO CODE 918865

"FINANCIAL MANAGEMENT: OPPORTUNITIES TO IMPROVE EXPERIENCE  
AND TRAINING OF KEY MILITARY COMPTROLLERS"

DEPARTMENT OF DEFENSE COMMENTS ON  
THE GAO RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense ensure the Navy identify which key military comptroller positions can be converted to civilian status in order to gain greater continuity, technical competency, and costs savings. (pp. 21-22/GAO Draft Report)

Now on p. 14.

DOD RESPONSE: Concur. A review of all key military comptroller positions will be conducted in conjunction with the next biennial financial management billet validation review to identify those billets that may be converted to civilian status.

RECOMMENDATION 2: For those comptroller positions identified for conversion to civilian status, ensure those positions are filled by individuals who possess both the proper education and experience needed to meet the Joint Financial Management Improvement Program core competencies. (pp. 21-22/GAO Draft Report)

Now on p. 14.

DOD RESPONSE: Concur.

RECOMMENDATION 3: For those comptroller positions that should remain as military billets, establish a career path in financial management that ensures military officers are prepared, both in terms of education and experience, for comptrollership responsibilities. (pp. 21-22/GAO Draft Report)

Now on p. 15.

See comment 1.

DOD RESPONSE: Non-concur. The Department supports the need to strengthen the Navy's existing training program for Financial Management subspecialists. The Department agrees that some Naval Officers may have been assigned as comptrollers without a strong background in some aspects of financial management. In such cases, however, civilian deputies with the requisite skills provide the backup for these officers. A review of options for increasing Navy military comptroller education and experience will be conducted including, but not limited to:

- Increasing the number of tours or months of experience required to become a proven financial management subspecialist.
- Upgrading all comptroller billets to proven subspecialist billets.

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**Appendix IV**  
**Comments From the Department of Defense**

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- Developing a senior comptroller course in financial management at the Navy Postgraduate School and requiring attendance by all prospective comptrollers.
- Reviewing detailing procedures to ensure that the most qualified naval officers are assigned to comptroller billets.

The Department, however, does not concur with establishing a career path in financial management for those comptroller positions that should remain as military billets. The relatively small number of officers in this field, combined with the Navy's need to assure its military comptrollers have extensive experience in fleet operations, mitigate against establishing a formal career program. The actions listed above, when aggressively implemented, should improve the Navy's ability substantially in this critical area.

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**Appendix IV**  
**Comments From the Department of Defense**

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The following is GAO's comment on the Department of Defense's letter dated April 18, 1997.

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**GAO Comment**

1. Discussed in the "Agency Comments and Our Evaluation" section.

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# Major Contributors to This Report

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